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**STATE OF IOWA
LEGISLATIVE FISCAL BUREAU**

State Capitol
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MEMORANDUM



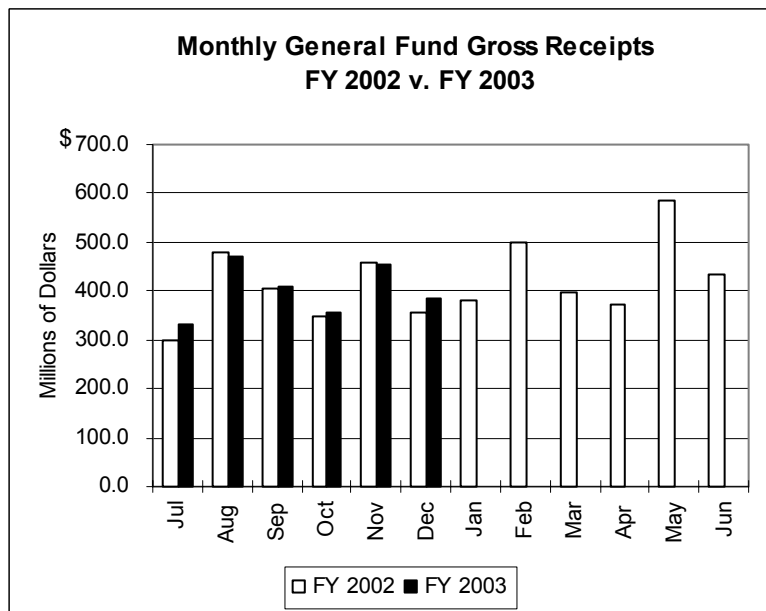
TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Dennis C. Prouty

DATE: January 2, 2003

Monthly General Fund Receipts through December 31, 2002

The attached spreadsheet presents total FY 2003 monthly General Fund receipts, with comparable figures for actual FY 2002. These figures can be compared to the FY 2003 estimate (\$5.025 billion) set by the Revenue Estimating Conference (REC) on December 6, 2002. The estimate represents an increase of \$17.5 million (0.3%) compared to actual FY 2002 gross cash receipts (excluding transfers). A date has not been set for the next REC review of the FY 2003 estimate.



FY 2003 Compared to FY 2002

Year-to-date FY 2003 total gross revenues (excluding transfers) have increased \$63.9 million (2.7%) compared to the same time period of FY 2002. Major revenue sources contributing to the change include:

- Withholding tax payments (positive \$54.6 million)
- Income tax estimate payments (negative \$6.5 million)
- Corporate tax payments (positive \$10.9 million)
- Inheritance tax (negative \$5.1 million)
- Veteran's Home net budgeting (negative \$14.1 million)
- Fees (positive \$5.1 million)

December FY 2003 total gross revenues (excluding transfers) increased \$31.3 million (8.8%) compared to December 2001. The increase was driven by strong income tax withholding and personal income tax estimate payments as well as sales and use tax receipts, while inheritance tax, interest, and Veteran's Home receipts continued to trend downward in December. The sales and use tax increase reversed a drop in those revenue sources that occurred at the end of November.

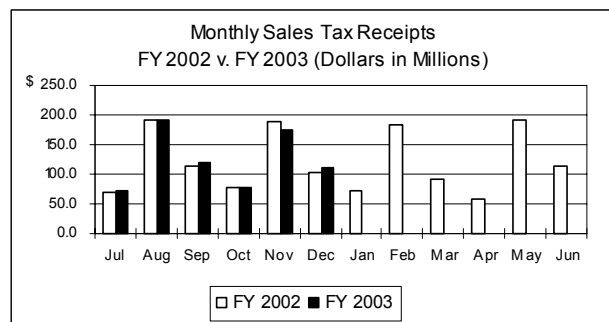
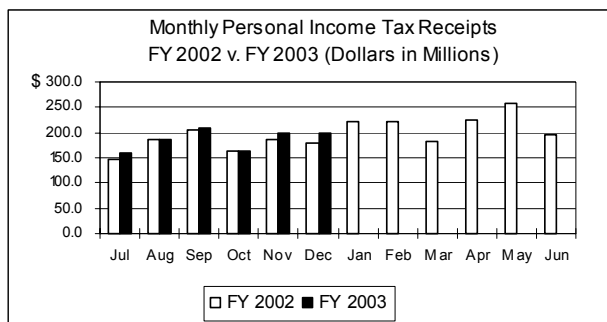
Personal income tax revenues received in December totaled \$198.6 million, an increase of \$18.7 million (10.4%) compared to December 2001.

The State tracks personal income tax in three sub-categories.

- During the month of December, withholding tax payments increased \$7.1 million (4.4%).
- Income tax receipts from quarterly estimate payments increased \$10.9 million (63.3%).
- Income tax payments with tax returns are a minor revenue source during the month of December.

The FY 2003 REC income tax estimate of \$2.444 billion represents a projected increase of 3.0% compared to actual FY 2002. The year-to-date change in personal income tax receipts is 4.6% through December.

The following Chart compares FY 2003 monthly personal income tax receipts from all three sub-categories with FY 2002.



Sales tax receipts received in December totaled \$112.0 million, an increase of \$8.2 million (7.9%) compared to December 2001.

The REC estimate for FY 2003 sales tax receipts is \$1.449 billion, which represents a decrease of 0.3% compared to actual FY 2002. The year-to-date growth in sales tax receipts is 0.6%.

The Chart above compares FY 2003 monthly sales tax receipts with FY 2002.

Use tax receipts received in December totaled \$11.3 million, an increase of \$1.9 million (20.7%) compared to December 2001.

The REC estimate for FY 2003 use tax receipts is \$240.8 million, which represents an increase of 1.0% compared to actual FY 2002. The year-to-date growth in use tax receipts is 3.6%.

Corporate tax receipts received in December totaled \$20.8 million, a \$22,000 increase compared to December 2001.

The REC estimate for FY 2003 corporate tax receipts is \$226.2 million, which represents an increase of 2.3% compared to actual FY 2002. The year-to-date growth in corporate sales tax receipts is 10.4%.

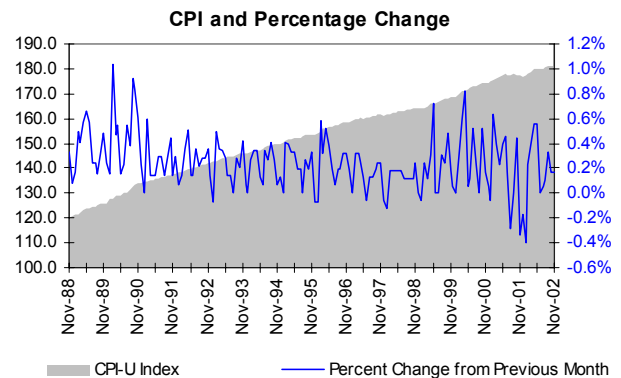
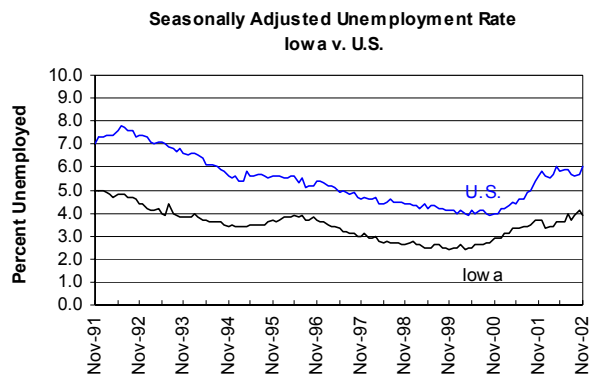
Status of the Economy

The November seasonally adjusted Iowa non-farm unemployment rate dropped to 3.9% from the October rate of 4.1%. The Iowa unemployment rate a year ago was 3.7%. Iowa's total adjusted November employment registered at 1,557,100, up 17,200 from last year's level. The number of unemployed persons in Iowa was recorded at 63,200 in November, an increase of 4,200 compared to last year's level.

The U.S. unemployment rate in November was 6.0%, 2.1 percentage points above the Iowa rate. The U.S. rate one year ago was 5.6%.

Consumer prices were unchanged in the month of November (not seasonally adjusted). The Consumer Price Index (CPI-U) through November 2002 was 181.3 (1983/84=100), 2.2% higher than one year ago.

The following charts illustrate U.S. and Iowa unemployment comparisons and the Consumer Price Index through November 2002.



Information related to State General Fund receipts is available on the Legislative Fiscal Bureau's website at:
<http://staffweb.legis.state.ia.us/lfb/revdebt.htm>.

GENERAL FUND RECEIPTS - FY 2002 vs. FY 2003 July 1 through December 31, in millions of dollars Dollars may not add due to rounding					ESTIMATED GENERAL FUND RECEIPTS in millions of dollars FY 02 Actual Compared to FY 03 REC Estimate		
	FY 2002	FY 2003	Year to Date % CHANGE	December % CHANGE	Actual FY 2002	Estimate FY 2003	% CHANGE
Personal Income Tax	\$ 1,065.4	\$ 1,114.5	4.6%	10.4%	\$ 2,372.1	\$ 2,444.4	3.0%
Sales Tax	742.5	746.9	0.6%	7.9%	1,453.0	1,449.2	-0.3%
Use Tax	121.1	125.4	3.6%	20.7%	238.5	240.8	1.0%
Corporate Income Tax	104.8	115.7	10.4%	0.1%	221.2	226.2	2.3%
Inheritance Tax	52.6	47.4	-9.9%	-3.6%	100.4	85.5	-14.8%
Insurance Premium Tax	-0.2	0.8	500.0%	26.9%	135.4	139.3	2.9%
Cigarette Tax	44.1	44.4	0.7%	24.3%	88.0	86.0	-2.3%
Tobacco Tax	3.6	3.8	5.6%	10.9%	7.1	6.8	-4.2%
Beer Tax	7.2	7.3	1.4%	-6.6%	13.8	14.0	1.4%
Franchise Tax	14.7	16.0	8.8%	30.8%	30.9	30.9	0.0%
Miscellaneous Tax	2.9	1.6	-44.8%	-29.0%	1.5	1.5	0.0%
Total Special Taxes	\$ 2,158.7	\$ 2,223.8	3.0%	9.3%	\$ 4,661.9	\$ 4,724.6	1.3%
Institutional Payments	24.1	9.6	-60.2%	-63.0%	48.6	16.6	-65.8%
Liquor Transfers - Profits	18.5	20.0	8.1%	12.5%	38.5	39.0	1.3%
Liquor Transfers - 7% Revenues	4.5	4.5	0.0%	0.0%	9.0	9.0	0.0%
Interest	8.5	11.5	35.3%	-65.4%	25.3	18.0	-28.9%
Fees	31.9	37.0	16.0%	40.2%	70.2	66.3	-5.6%
Judicial Revenue	17.7	20.3	14.7%	40.3%	51.9	55.0	6.0%
Miscellaneous Receipts	20.5	21.6	5.4%	140.7%	42.1	36.5	-13.3%
Racing and Gaming Receipts	60.0	60.0	0.0%	n/m	60.0	60.0	0.0%
TOTAL GROSS RECEIPTS	\$ 2,344.4	\$ 2,408.3	2.7%	8.8%	\$ 5,007.5	\$ 5,025.0	0.3%